

Statement Order (the “Solicitation Deadline”); (f) approved the procedures for soliciting, receiving and tabulating votes on the Plan and for filing objections to the Plan; (g) established the holders of Claims in Classes 3, 5, 7, 8, 9, 10, 11, 12, 13 and 14 as the only creditors entitled to vote to accept or reject the plan; (h) approved the Solicitation Procedures and the Solicitation Package (as defined in the Disclosure Statement Order); (i) approved the form and method of notice of the confirmation trial; (j) approved the procedures associated with the Rights Offering, including the approval of the Subscription Form; and (k) authorized the Debtors to retain Financial Balloting Group LLC as the securities voting agent and the subscription agent in connection with the Rights Offering.

201. On September 22, 2009 the Bankruptcy Court approved the adjournment of the confirmation trial to November 9, 2009 at 9:30 a.m. Hawaii Standard Time. In connection with the adjournment of the confirmation trial, the court fixed November 2, 2009 at 1:00 p.m. Hawaii Standard Time as the amended deadline for voting to accept or reject the Plan (the “Amended Voting Deadline”) and fixed November 2, 2009 at 1:00 p.m. Hawaii Standard Time as the amended deadline for objecting to the Plan (the “Amended Objection Deadline”).

202. All parties required to be provided notice have been provided due, proper, timely and adequate notice in compliance with the Disclosure Statement Order, Bankruptcy Rules 2002(b), 3017 and 3020(b) and Local Bankruptcy Rule 3017-1. Affidavit of Service of Jane Sullivan re: Financial Balloting Group LLC's Service of Solicitation Packages and Related Documents on Holders of Publicly Held Notes and Certain Other Parties [Docket No. 1221]; Affidavit of Service of Adam L. Simpson re: Solicitation Packages for the Joint Chapter 11 Plan of Reorganization of Hawaiian Telcom Communications, Inc. and Its Debtor Affiliates [Docket No. 1151]; Certificate of Service of Adam L. Simpson re: Notice of Adjournment of Hearing to Consider Confirmation of the Chapter 11 Plan Filed by the Debtors and Extension of Related Voting and Objection Deadlines [Docket Nos. 1178 and 1179]; Certificate of Service of Adam L. Simpson re: Plan Supplement for Proposed Joint Chapter 11 Plan of Reorganization of Hawaiian Telcom Communications, Inc. and Its Debtor Affiliates Exhibits "A" - "K" [Docket No. 1298].
203. Adequate and sufficient notice of the confirmation trial and any applicable bar dates and hearings described in the Disclosure Statement Order were given in compliance with the Bankruptcy Rules and the Disclosure Statement Order and no other or further notice is or shall be required.

Affidavit of Service of Jane Sullivan re: Financial Balloting Group LLC's Service of Solicitation Packages and Related Documents on Holders of Publicly Held Notes and Certain Other Parties [Docket No. 1221]; Affidavit of Service of Adam L. Simpson re: Solicitation Packages for the Joint Chapter 11 Plan of Reorganization of Hawaiian Telcom Communications, Inc. and Its Debtor Affiliates [Docket No. 1151]; Certificate of Service of Adam L. Simpson re: Notice of Adjournment of Hearing to Consider Confirmation of the Chapter 11 Plan Filed by the Debtors and Extension of Related Voting and Objection Deadlines [Docket Nos. 1178 and 1179]; Certificate of Service of Adam L. Simpson re: Plan Supplement for Proposed Joint Chapter 11 Plan of Reorganization of Hawaiian Telcom Communications, Inc. and Its Debtor Affiliates Exhibits "A" - "K" [Docket No. 1298].

204. In accordance with the Disclosure Statement Order and Bankruptcy Rule 2002(l), on September 4, 2009, the Debtors published the notice of the confirmation trial in *The Honolulu Advertiser*, *The Honolulu-Star Bulletin* and the national edition of the *Wall Street Journal*. Affidavits of Publication of Notice of Hearing to Consider Confirmation of the Chapter 11 Plan Filed By the Debtors and Related Voting Objection Deadlines; Exhibits "A"- "C" [Docket No. 1275].

205. Based on the record in the chapter 11 cases: (a) the Debtors are deemed to have solicited acceptances of the Plan in good faith and in compliance with the applicable provisions of the Bankruptcy Code, including, without limitation, sections 1125(a) and (e) of the Bankruptcy Code and any applicable non-bankruptcy law, rule or regulation governing the adequacy of disclosure in connection with such solicitation and (b) the Debtors, the Secured Parties and the Committee and all of their respective current or former subsidiaries, affiliates, managed accounts or funds, officers, directors, principals, employees, agents, financial advisors, attorneys, accountants, investment bankers, consultants, representatives and other Professionals have acted in “good faith” within the meaning of section 1125(e) of the Bankruptcy Code in compliance with the applicable provisions of the Bankruptcy Code and Bankruptcy Rules in connection with all their respective activities relating to the Plan, including, but not limited to, any action or inaction in connection with their participation in the activities described in section 1125 of the Bankruptcy Code and are entitled to the protections afforded by section 1125(e) of the Bankruptcy Code.

### **CONCLUSIONS OF LAW**

#### **I. BURDEN OF PROOF**

1. To confirm the Plan, the Court must find that the Debtors have satisfied the

provisions of section 1129 of the Bankruptcy Code by a preponderance of the evidence. In re Ambanc La Mesa Ltd. P'ship, 115 F.3d 650, 653 (9th Cir. 1997) (stating that the bankruptcy court must confirm a plan if the Debtor proves by a preponderance of the evidence that the plan satisfied section 1129(a) of the Bankruptcy Code); In re Arnold and Baker Farms, 177 B.R. 648, 654 (B.A.P. 9th Cir. 1994) (preponderance of the evidence is the correct burden of proof in the context of plan confirmation).

2. Based upon the evidence and testimony at trial as weighed and balanced by the Court, as well as the pleadings in these chapter 11 cases, the Court finds that the Debtors have satisfied the provisions of section 1129 of the Bankruptcy Code by a preponderance of the evidence.

## **II. THE DEBTORS PROPERLY ALLOCATED VALUE UNDER THE PLAN.**

3. Under section 506(a) of the Bankruptcy Code, the statute governing determination of secured status, the proposed disposition or use of collateral is of paramount importance to the valuation question. Associates Commercial Corp. v. Rash, 520 U.S. 953, 962 (1997). When a debtor is reorganizing, the appropriate methodology for valuing a secured creditor's collateral is to determine the price a willing buyer in the debtor's trade, business, or situation would pay a willing seller to obtain property of like age and condition for the same proposed use. Id., 520 U.S. at 965.

4. Where debtors intend to reorganize and continue to operate their business, and prospects for reorganization appear favorable, collateral should be valued using the going concern value for purposes of determining the extent of the creditor's secured claim under section 506(a). In re Melgar Enterprises, Inc., 151 B.R. 34, 39 (Bankr. E.D. N.Y. 1993) (Chapter 11 debtors' real estate should be valued at going concern value for purposes of fixing extent of creditor's secured claim); In re Bergh, 141 B.R. 409, 420 (Bankr. D. Minn. 1992) (going concern value was used when valuing collateral under section 506(a) where Chapter 11 debtors intended to use collateral to operate their business); see also In re Kim, 130 F.3d 863, 865 (9th Cir. 1997) (finding that value of entire dry cleaning business, which included the goodwill generated by continuing to operate the business in the same location, was relevant to valuation of creditors' security interests in Chapter 13 debtors' dry cleaning equipment and lease because these assets were worth more as a package than if the two assets were valued separately).
5. A secured claim should be valued to the extent the collateral securing the claim contributes to the estates' going concern value. See In re Penz, 102 B.R. 826, 828 (Bankr. E.D. Okla. 1989) (valuing creditor's secured claim to the extent of collateral's contribution to the estates' going-concern value); see also In re Chateaugay Corp., Inc., 154 B.R. 29, 34 (Bankr. S.D.N.Y.

1993) (“To the extent that the going concern value of a particular facility is enhanced by or attributable to assets in which the J & L Bondholders do not have an interest, such value will not be credited towards ‘the value of such creditor’s interest.’”).

6. In apportioning going concern value of a company between encumbered and unencumbered assets, going concern value should be attributed to an asset in proportion to that asset’s value in relation to the total value of all of the assets. In re LTV Steel Company, Inc., 285 B.R. 259, 267-68 (Bankr. N.D. Ohio 2002); In re 26 Trumbull Street, 77 B.R. 374, 375-76 (Bankr. D. Conn. 1987).
7. In LTV Steel, the court addressed the issue of allocating proceeds from a bulk sale of a bankrupt steel producer’s assets among creditors with security interests in individual assets. See LTV Steel, 285 B.R. at 261. The court looked at the fair market value of the individual assets, with personalty and realty bundled together, and apportioned the sale proceeds among the assets based upon each asset’s portion of the total value of all the assets. Id. at 266-67, 269.
8. In 26 Trumbull Street, a chapter 7 trustee sold a debtors’ restaurant equipment, furnishings and lease together at an auction. Id. Although the secured creditors had liens on the restaurant equipment and furnishings, they

did not have a perfected lien on the lease. Id. In apportioning the total sale value, i.e., going concern value, among the assets, the court used the liquidation values of the individual assets to determine their relative value, and allocated sales proceeds, including goodwill, to each asset proportionally. Id. at 375-76.

9. In each case cited by the parties, the court found that enterprise value was relevant to a valuation of the secured creditor's collateral where such collateral consisted of the debtor's primary assets and would be used by the debtor to operate its business post-emergence. In re Kim, 130 F.3d at 866 (finding that evidence of enterprise value was the most relevant evidence before the court of the value of collateral that consisted of the primary assets, but not all assets, of the business); In re Chateaugay Corp., 154 B.R. at 32 n.3, 33, 34 (finding that enterprise value was relevant to valuation of collateral that consisted of most, but not all, assets of the business); In re Bergh, 141 B.R. at 419-20. In each of these cases, the courts rejected an asset-by-asset valuation of the collateral. In re Kim, 130 F.3d at 866; In re Chateaugay Corp., 154 B.R. at 34; In re Bergh, 141 B.R. at 420; cf. In re Okla. City Broad. Co., 112 B.R. 425, 429 n.5 (Bankr. W.D. Okla. 1990) (stating that enterprise value would be relevant to a valuation of collateral that consisted of nearly all of the debtor television broadcasting station's



assets if and when it became clear that the debtor would continue as a going concern; the court so-stated even though it also found that the secured creditor lacked a lien on the debtor's FCC license without which the business could not operate). There is no precedent that supports the conclusion that a secured creditor with a lien on a debtor's primary assets is not entitled to the debtor's enterprise value when the debtor proposed to use that collateral in its business under a plan of reorganization.

10. After an analysis of the arguments put forth by the Parties and giving proper weight to the evidence in the record regarding the extent of the Secured Parties' liens, the Court finds that the Debtors developed the appropriate methodology to allocate value. Given the findings of fact set forth above regarding the extent of the Secured Parties' liens, the Debtors' total enterprise value and the value of the Debtors' unencumbered assets, the Debtors' methodology allocates sufficient and proper value to all constituents.
11. Further, the Court finds that Hawaiian Telcom correctly followed the guidance of In re LTV Steel Company and In re 26 Trumbull Street and is also consistent with In re Kim, In re Chateaugay, and In re Bergh.

### **III. THE ADEQUATE PROTECTION PAYMENTS WERE WARRANTED**

12. Section 363(e) of the Bankruptcy Code provides that, "on request of an

entity that has an interest in property . . . proposed to be used, sold, or leased by the trustee, the court . . . shall prohibit or condition such use, sale, or lease as is necessary to provide adequate protection of such interest.” 11 U.S.C. § 363(e). Pursuant to section 363 of the Bankruptcy Code, the Cash Collateral Order specifically provides that the Secured Parties were entitled to the adequate protection payments to protect against diminution in the value of the collateral securing their claims.

13. An undersecured creditor is entitled to adequate protection payments to the extent that its collateral suffers from diminution in value. See United Sav. Ass’n of Tex. v. Timbers of Inwood Forest Assocs., Ltd., 484 U.S. 365, 370 (1988). Here, the Secured Parties were entitled to the adequate protection payments, because the evidence demonstrates that the value of the collateral securing their claims has diminished since the Petition Date.
14. The Committee has not provided evidence to effectively dispute the fact that the Secured Parties’ collateral has suffered from diminution in value since the Petition Date; rather, the Committee’s expert conceded that the value of certain of Hawaiian Telcom’s equipment, to which the Secured Parties’ liens and security interests attach, has deteriorated since the Petition Date and that Hawaiian Telcom’s investments in its network have not been sufficient to outweigh this deterioration.

15. Finally, distributions under the Plan would not be affected even if the adequate protection payments were recharacterized as payments against principal. The Cash Collateral Order, a product of negotiation between all three parties including the Committee, provides that to the extent that any adequate protection payments are recharacterized, they are entitled to be recharacterized only as payments against principal. Here, the Secured Parties are undersecured by an amount that exceeds the aggregate amount of the adequate protection payments. Accordingly, recharacterization of the adequate protection payments as payments against principal would reduce only the Secured Parties' deficiency claim, which the Secured Parties have agreed to waive.

#### **IV. GOOD FAITH**

16. To satisfy the "good faith" requirement of section 1129(a)(3) of the Bankruptcy Code, "a plan must be intended to achieve a result consistent with the objectives of the Bankruptcy Code." In re Sylmar Plaza, L.P., 314 F.3d 1070, 1074 (9th Cir. 2002) ("A plan is proposed in good faith where it achieves a result consistent with the objectives and purposes of the Bankruptcy Code"); In re Mann Farms Inc., 917 F.2d 1210, 1214 (9th Cir. 1990); In re Corey, 892 F.2d 829, 835 (9th Cir. 1989); In re Boulders on the River, 164 B.R. 99, 103 (B.A.P. 9th Cir. 1994); In re Arnold and Baker

Farms, 177 B.R. 648, 658 (B.A.P. 9th Cir. 1994).

17. Courts in the Ninth Circuit make their good faith determination on a case-by-case basis, taking into account the “totality of the circumstances.”

Sylmar Plaza, 314 F.3d at 1075.

18. The Court finds the testimony of Hawaiian Telcom’s witnesses regarding the good faith, arms-length negotiations to be entirely credible. In particular, Mr. Nystrom, Mr. Yeaman, and Mr. Reich all persuaded the Court that Hawaiian Telcom acted with complete good faith in developing a Plan that maximizes value for all creditors, significantly deleverages the capital structure, and enables Hawaiian Telcom to implement its business plan

**V. CRAM DOWN UNDER SECTION 1129(B) OF THE BANKRUPTCY CODE**

**A. Unfair Discrimination**

19. Although the Plan awards cash to general unsecured creditors and warrants to Senior Noteholders, the Plan does not unfairly discriminate. Section 1129(b) of the Bankruptcy Code does not preclude a plan’s disparate treatment of classes of same-priority claims; it prohibits only “unfair” discrimination. 11 U.S.C. § 1129(b)(1). Under the traditional test, a plan does not unfairly discriminate as long as (a) the discrimination is supported by a reasonable basis, (b) the discrimination is necessary for reorganization, (c) the discrimination is proposed in good faith, and (d) the degree of the

discrimination is directly related to the basis or rationale for the discrimination. Liberty Nat'l Enters. v. Ambanc La Mesa L.P. (In re Ambanc La Mesa L.P.), 115 F.3d 650, 656 (9th Cir. 1997).

20. Satisfying unsecured trade claims with cash and unsecured debt claims with equity securities in the reorganized debtor is quite common and does not constitute unfair discrimination. “[I]t is generally recognized that “[t]rade creditors have short-term maturities; debenture holders have long-term expectations.’ Correspondingly, in this case, the trade creditors are receiving an immediate cash payout, while the Old Note-holders are receiving a package of securities that conform to prepetition long-term expectations. No ‘unfairness’ is discerned in this necessary disparity in treatment.” In re Greater Bay Hotel & Casino, Inc., 251 B.R. 213, 232 (Bankr. D.N.J. 2000).
21. The evidence presented by Hawaiian Telcom regarding the justification for its classification, as well as the evidence regarding the rationales for payments to different classes in cash and warrants, demonstrates that the Plan does not unfairly discriminate between classes and is fair and equitable. Weighing the evidence in the record, the differences between various classes sufficient to justify the classifications in the Plan. Additionally, based on the uncontested testimony of Mr. Tucker, the Court is convinced that Hawaiian

Telcom acted in the best interest of all creditors by using warrants instead of equity to preserve substantial tax benefits.

**B. The Fair and Equitable Rule**

22. Section 1129(b) of the Bankruptcy Code requires a finding that the Plan is “fair and equitable” – that (a) no holder of a claim or interest that is junior in priority to an impaired class that votes to reject the Plan receives or retains under the Plan any property on account of such junior claim or interest, and (b) no claimant recovers under the Plan more than it is owed. See 11 U.S.C. § 1129(b)(2)(B)(ii); In re Trans Max Techs., Inc., 349 B.R. 80, 89 (Bankr. D. Nev. 2006) (“One component of fair and equitable treatment is that a plan may not pay a premium to a senior class.”).
23. The Plan is “fair and equitable” even though the Senior Noteholder class rejected the Plan because no holder of a claim or interest that is junior to the claims of the Senior Noteholders will receive or retain any property under the Plan on account of such junior claim or interest. See 11 U.S.C. § 1129(b)(2)(B)(ii).
24. Furthermore, the Plan is “fair and equitable” because no claimant recovers under the Plan more than it is owed. Specifically, under section 506(a) of the Bankruptcy Code, the Secured Parties are entitled to a secured claim in an amount equal to the value of the collateral securing their claims, and are

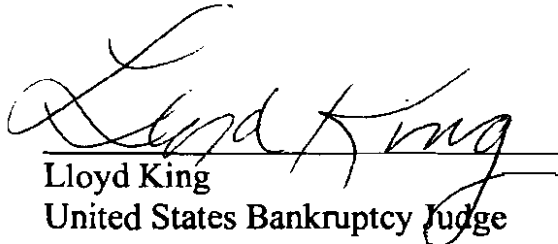
further entitled under the Bankruptcy Code to an unsecured claim in the amount of their deficiency claim, to the extent there is any. 11 U.S.C § 506(a).

25. Under the Plan, the Secured Parties recover less than the full amount of their claim. Specifically, I find that the value of the collateral securing the Secured Parties' claims is equal to the enterprise value of Hawaiian Telcom less the value of the Debtors' unencumbered assets. The distributions under the Plan are consistent with this finding. On account of the secured portion of their claim, the Secured Parties' recovery is equal to the Plan's assumed enterprise value less the Plan's assumed unencumbered asset value. Because the Plan's assumed value of the unencumbered assets is greater than those assets' actual value, the Secured Parties' recovery under the Plan on account of the secured portion of their claim value is less the amount they are entitled to receive. In addition, the Secured Parties recover less than they are entitled to under the Bankruptcy Code on account of the unsecured portion of their claim because they have agreed to waive their deficiency claim.

## VI. CONCLUSION

26. The proposed plan of reorganization satisfies the requirements for confirmation, and an order confirming the plan will be entered.
27. Each finding of fact set forth or incorporated herein, to the extent it is or may be deemed a conclusion of law, shall also constitute a conclusion of law. Each conclusion of law set forth or incorporated in the Findings and Conclusions or herein, to the extent it is or may be deemed a finding of fact, shall also constitute a finding of fact.

Dated: Honolulu, Hawaii, Dec. 30, 2009.

  
Lloyd King  
United States Bankruptcy Judge



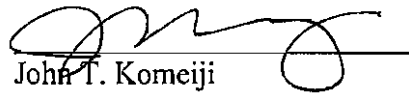
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In re Hawaiian Telcom Communications, Inc., et al., Chapter 11, Case No. 08-02005; FINDINGS OF FACT AND CONCLUSIONS OF LAW IN SUPPORT OF THE COURT'S DECISION TO CONFIRM THE JOINT CHAPTER 11 PLAN OF REORGANIZATION OF HAWAIIAN TELCOM COMMUNICATIONS, INC. AND ITS DEBTOR AFFILIATES

## **Exhibit 3**

**DECLARATION OF JOHN T. KOMEIJI**

I, John T. Komeiji, Senior Vice President & General Counsel of Hawaiian Telcom Holdco, Inc., ("Hawaiian Telcom") declare under penalty of perjury that Hawaiian Telcom, including all officers, directors, or persons holding five percent or more of the outstanding stock or shares (voting and/or non-voting) of Hawaiian Telcom as specified in Section 1.2003(b) of the Commission's Rules, is not subject to denial of federal benefits pursuant to section 5301 of the Anti-Drug Abuse Act of 1988.

Executed on: January 18, 2010

A handwritten signature in black ink, appearing to read 'John T. Komeiji', is written over a horizontal line.

John T. Komeiji  
Senior Vice President & General Counsel  
Hawaiian Telcom Holdco, Inc.

## **Exhibit 4**

## Hawaiian Telcom

### Income Statement

	Fiscal Year End December 31st					
	2009	1Q10	Post-Emergence			
			2Q10 - 4Q10	2011	2012	2013
<i>(\$'s in millions)</i>						
Total Revenue	\$423.5	\$104.4	\$320.9	\$450.6	\$487.1	\$528.0
Cost of Services & Sales	166.1	41.0	126.0	185.4	204.0	222.5
Selling, General and Administrative Expenses	142.4	33.1	106.2	142.5	150.5	156.5
<b>EBITDA</b>	<b>115.0</b>	<b>30.3</b>	<b>88.7</b>	<b>122.7</b>	<b>132.6</b>	<b>149.0</b>
Non-Recurring Costs	38.2	12.6 <sup>(a)</sup>	1.4	0.0	0.0	0.0
D&A	173.9	46.1	78.9	83.0	89.7	101.2
Operating Income (Loss)	(97.1)	(28.5)	8.3	39.7	42.9	47.7
Gain on Extinguishment of Debt	0.0	687.4 <sup>(b)</sup>	0.0	0.0	0.0	0.0
Fresh Start Adjustments		(539.3)				
Net Interest Expense	16.4	3.5	18.5	28.1	28.4	27.8
Other Income (Expense)	(3.6)	0.0	0.0	0.0	0.0	0.0
Pre-Tax Income	(109.9)	116.1	(10.1)	11.6	14.5	19.9
Income Tax Expense (Benefit)	0.0	0.0	(3.9)	4.5	5.7	7.8
<b>Net Income (Loss)</b>	<b>(\$109.9)</b>	<b>\$116.1</b>	<b>(\$6.2)</b>	<b>\$7.1</b>	<b>\$8.9</b>	<b>\$12.1</b>

(a) Includes expenses related to the bankruptcy including professional fees and other one-time items.

(b) Represents the gain on the extinguishment of debt due to the reorganization.

**Hawaiian Telcom**  
**Balance Sheet**

	Fiscal Year End December 31					
			Post-Emergence			
<i>(\$'s in millions)</i>	2009	1Q10	2010	2011	2012	2013
Assets:						
Current Assets:						
Cash	\$74.6	\$52.4	\$58.4	\$63.1	\$79.0	\$97.7
Accounts Receivable, net	61.6	60.5	63.2	67.0	72.4	78.5
Other Current Assets	15.2	15.2	15.2	15.2	15.2	15.2
Total Current Assets	151.5	128.2	136.8	145.3	166.7	191.4
Noncurrent Assets:						
Net PP&E	706.2	410.1	402.7	409.5	404.6	389.0
Deferred Tax Assets	0.0	0.0	3.9	0.0	0.0	0.0
Intangible Assets & Other	388.4	115.3	108.1	98.9	90.3	82.3
Total Noncurrent Assets	1,094.7	525.5	514.8	508.5	494.8	471.3
<b>Total Assets</b>	<b>\$1,246.1</b>	<b>\$653.6</b>	<b>\$651.6</b>	<b>\$653.8</b>	<b>\$661.5</b>	<b>\$662.7</b>
Liabilities & Shareholders' Equity						
Current Liabilities:						
Accounts Payable and Accrued Liabilities	53.2	42.9	53.7	55.0	59.5	63.6
Other Current Liabilities	20.1	20.1	20.1	20.1	20.1	20.1
Total Current Liabilities	73.3	63.0	73.8	75.1	79.6	83.7
Noncurrent Liabilities:						
New Senior Secured Term Loan	0.0	300.0	304.5	309.1	309.1	297.6
Liabilities Subject to Compromise	1,154.6	0.0	0.0	0.0	0.0	0.0
Deferred Tax Liability	0.0	0.0	0.0	0.6	6.2	14.0
Other Long-Term Liabilities	134.3	130.6	119.4	108.1	96.8	85.5
Total Noncurrent Liabilities	1,288.9	430.6	424.0	417.8	412.2	397.1
<b>Total Liabilities</b>	<b>1,362.2</b>	<b>493.6</b>	<b>497.8</b>	<b>492.9</b>	<b>491.7</b>	<b>480.8</b>
Shareholders' Equity	(116.1)	160.0	153.8	160.9	169.8	181.9
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>\$1,246.1</b>	<b>\$653.6</b>	<b>\$651.6</b>	<b>\$653.8</b>	<b>\$661.5</b>	<b>\$662.7</b>

**Hawaiian Telcom**  
**Cash Flow Statement**

	Fiscal Year End December 31					
	2009	Q1'10	Post-Emergence			
			2Q10 - 4Q10	2011	2012	2013
<i>(\$'s in millions)</i>						
Cash Flow From Operations						
Net Income (loss)	(\$109.9)	\$116.1	(\$6.2)	\$7.1	\$8.9	\$12.1
Non-cash restructuring	0.0	(155.3)	0.0	0.0	0.0	0.0
PIK Interest	0.0	0.0	4.5	4.6	0.0	0.0
Plus: D&A	173.9	46.1	78.9	83.0	89.7	101.2
Deferred Financing Fees	0.0	(2.0)	0.4	0.5	0.5	0.5
Decrease / (Increase) in Accounts Receivable	(2.8)	1.1	(2.7)	(3.7)	(5.4)	(6.1)
Decrease / (Increase) in Other Current Assets	0.6	0.0	(0.0)	0.0	0.0	0.0
Increase / (Decrease) in Accounts Payable	8.4	(10.2)	10.8	1.2	4.5	4.1
Increase / (Decrease) in Other Current Liabilities	(0.5)	0.0	0.0	0.0	0.0	0.0
Increase / (Decrease) in Other Liabilities	8.7	(3.7)	(11.2)	(11.3)	(11.3)	(11.3)
Deferred Taxes	0.0	0.0	(3.9)	4.5	5.7	7.8
<b>Total Cash Flow From Operations</b>	<b>78.4</b>	<b>(7.9)</b>	<b>70.7</b>	<b>85.9</b>	<b>92.5</b>	<b>108.4</b>
Cash Flow From Investing Activities						
Investment in PP&E	(92.8)	(14.3)	(64.7)	(91.2)	(86.6)	(78.2)
Sale of PP&E	0.0	0.0	0.0	10.0	10.0	0.0
<b>Total Cash Flow From Investing Activities</b>	<b>(92.8)</b>	<b>(14.3)</b>	<b>1.6</b>	<b>(81.2)</b>	<b>(76.6)</b>	<b>(78.2)</b>
Cash Flow From Financing Activities						
Term Loan Repayments	0.0	0.0	0.0	0.0	0.0	(11.5)
Borrowings / (Paydown) on Revolver	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Cash Flow From Financing Activities</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(11.5)</b>
Beginning Cash Balance	89.0	74.6	52.4	58.4	63.1	79.0
Total Change in Cash	(14.4)	(22.2)	6.0	4.8	15.9	18.7
<b>Ending Cash Balance</b>	<b>\$74.6</b>	<b>\$52.4</b>	<b>\$58.4</b>	<b>\$63.1</b>	<b>\$79.0</b>	<b>\$97.7</b>

**Hawaiian Telcom**  
**Proforma Projected Balance Sheet (a)**

(\$'s in millions)

	Estimated March 31, 2010 Balance Sheet	Reorganization Adjustments		Pro Forma Balance Sheet of Reorganized Debtors
		Recapitalization Adjustments	"Fresh Start" Adjustments	
<b>Assets</b>				
Current Assets:				
Cash	572.4	\$30.0 (b)		542.4
Accounts Receivable	60.5			60.5
Other Current Assets	15.3			15.3
Total Current Assets	148.2	(20.0)	0.0	128.2
Noncurrent Assets:				
Net PP&E	625.1		27.5 (c)	652.6
Intangible Assets & Other	377.6	2.0 (d)	(264.3) (e)	115.3
Total Noncurrent Assets	1,062.8	2.0	(539.3)	525.5
<b>Total Assets</b>	<b>\$1,211.0</b>	<b>(\$18.0)</b>	<b>(\$539.3)</b>	<b>\$653.6</b>
<b>Liabilities &amp; Shareholders' Equity</b>				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	\$49.3	\$3.3 (b)		\$52.6
Other Current Liabilities	20.1			20.1
Total Current Liabilities	66.4	(3.3)	0.0	63.1
Noncurrent Liabilities:				
New Senior Secured Term Loan	0.0	\$300.0 (f)		300.0
Liabilities Subject to Compromise	1,154.0	(1,154.6) (g)		0.0
Other Long-Term Liabilities	285.2			285.2
Total Noncurrent Liabilities	1,285.2	(854.6)	0.0	430.6
<b>Total Liabilities</b>	<b>1,351.6</b>	<b>(857.9)</b>	<b>0.0</b>	<b>493.6</b>
Shareholders' Equity	1,160.6	\$30.0 (b)	(539.3) (h)	1,601.3
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>\$1,211.0</b>	<b>(\$18.0)</b>	<b>(\$539.3)</b>	<b>\$653.6</b>

(a) The pro forma balance sheet adjustments contained herein account for (i) the reorganization and related transactions pursuant to the Plan and (ii) the implementation of estimated "fresh start" accounting adjustments pursuant to Statement of Position 90-7 ("SOP 90-7"), *Financial Reporting by Entities in Reorganization Under the Bankruptcy Code*, as issued by the American Institute of Certified Public Accountants (the "AICPA").

(b) This amount reflects \$20 million of cash emergence costs used to pay \$3.3 million of accrued restructuring expenses, \$7.2 million for contract cure costs and priority claims and \$9.5 million for the purchase of an interest rate cap, professional fees and other.

(c) This amount reflects the purchase of a \$2.0 million LIBOR rate cap.

(d) This amount reflects the payment of \$3.3 million of accrued, but unpaid restructuring expenses.

(e) This amount reflects the new \$300.0 million Senior Secured Term Loan that will be issued pursuant to the Plan.

(f) This amount reflects the elimination of pre-petition Claims, including (i) the Senior Secured Revolver (ii) the Senior Secured Term Loan

(iii) the Interest Rate Swaps (iv) the 9.75% Senior Notes, (v) the floating rate Senior Notes (vi) the 12.5% Senior Subordinated Notes

(vii) pre-petition accounts payable, (viii) pre-petition accrued liabilities and (ix) other General Unsecured Claims.

(g) After accounting for all other "fresh start" accounting adjustments, the remaining offsetting adjustments were applied to PP&E and intangible assets.

(h) This amount reflects: (i) the \$160 million Plan Equity Value, plus (ii) estimated gain on the extinguishment of debt of \$687.4 million, less (iii) \$7.5 million of estimated bankruptcy-related professional fees and expenses.



**Hawaiian Telcom**  
**Statement of Capital Structure**  
*(\$'s in millions)*

	<b>December 31,</b>		<b>Mar 31,</b>		<b>December 31,</b>		
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Cash and Cash Equivalents	\$ 89.0	\$ 74.6	\$ 52.4	\$ 58.4	\$ 63.1	\$ 79.0	\$ 97.7
Total Debt	\$ 1,074.5	\$ 1,089.8	\$ 300.0	\$ 304.5	\$ 309.1	\$ 309.1	\$ 297.6
Equity Capital	\$ 428.9	\$ 429.0	\$ 160.0	\$ 160.0	\$ 160.0	\$ 160.0	\$ 160.0
Retained Earnings (Accumulated Deficit)	(253.8)	\$ (363.6)	\$ -	\$ (6.2)	\$ 0.9	\$ 9.8	\$ 21.9
Total Capitalization	\$ 175.2	\$ 65.4	\$ 160.0	\$ 153.8	\$ 160.9	\$ 169.8	\$ 181.9
Total Debt/(Total Debt plus Total Capitalization)	86%	94%	65%	66%	66%	65%	62%

**Hawaiian Telcom**  
**Statement of Interest Coverage**  
*(\$'s in millions)*

	Fiscal Year Ended December 31,					
	2008	2009	2010	2011	2012	2013
EBITDA	\$ 132.4	\$ 115.0	\$ 119.0	\$ 122.7	\$ 132.6	\$ 149.0
Interest Expense	\$ 89.5	\$ 16.4	\$ 22.0	\$ 28.1	\$ 28.4	\$ 27.8
Interest Coverage Ratio	1.5 x	7.0 x	5.4 x	4.4 x	4.7 x	5.4 x

## **Exhibit 5**

## Central Offices by Island

### OAHU

Aiea  
Aina Haina  
Barbers Point  
Capehart  
Ewa  
Ewa Beach  
Honolulu  
Kaaawa  
Kahaluu  
Kailua  
Kaimuki  
Kakaako  
Kalihi  
Kaneohe  
Kapolei  
Keahi  
Koko Head  
Laie  
Makaha  
Makakilo  
Manoa  
Mililani  
Mililani Mauka  
Moanalua  
Mokapu  
Nanakuli  
Pearl City  
Punahou  
Puuloa  
Puunui  
Royal Kunia  
Soda Creek  
Sunset Beach  
Wahiawa  
Waialua  
Waianae  
Waikiki  
Waimanalo  
Waipahu

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## HAWAII

Anaehoomalu  
Hilo  
Honaunau  
Honokaa  
Honomu  
Kalaoa  
Kamuela  
Kawaihae  
Kawailani  
Keaau  
Kealahou  
Keauhou  
Kohala  
Kona  
Laupahoehoe  
Mountain View  
Naalehu  
Paauilo  
Pahala  
Pahoa  
Papaikou  
Volcano  
Waikoloa

## KAUAI

Hanapepe  
Kalaheo  
Kapaa  
Kekaha  
Kilauea  
Koloa  
Lihue  
Princeville  
Waimea

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MAUI

Haiku

Hana

Kahului

Kihei

Kula

Lahaina

Makawao

Napili

Paia

Wailuku

MOLOKAI

Kaunakakai

Kualapuu

Maunaloa

Ualapue

LANAI

Lanai City